# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

## FISCAL IMPACT STATEMENT

**LS 6184** | **NOTE PREPARED:** Nov 29, 2012
**BILL NUMBER:** SB 136 | **BILL AMENDED:**

**SUBJECT:** Veterans' Property Tax Deductions.

**FIRST AUTHOR:** Sen. Hume | **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

**Summary of Legislation:** This bill specifies that a deceased veteran's surviving spouse is eligible for a veteran's property tax deduction if the deceased veteran satisfied the requirements for the deduction at the time of death and the surviving spouse owns the property at the time the deduction statement is filed.

The bill specifies that the surviving spouse may provide the documentation necessary to establish that the deceased veteran qualified for the deduction at the time of death. It provides that the surviving spouse is entitled to the deduction regardless of whether the property for which the deduction is claimed was owned by the deceased veteran or the surviving spouse before the deceased veteran's death.

This bill provides that a surviving spouse who was denied the deduction for the March 1, 2012, or March 1, 2013, assessment date is entitled to a refund of the property taxes paid with respect to the denied amount if the qualifying surviving spouse files a statement for the deduction before September 1, 2013.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* This bill could result in an increase in the number of disabled veteran property tax deductions claimed by surviving spouses. The number and value of the additional deductions is not known. In general, the additional deductions would reduce the assessed value (AV) tax base which would lead to increased tax rates. The higher tax rates would cause a tax shift from the taxpayers receiving the deductions to all other taxpayers. In addition, the increased tax rates would cause circuit breaker credits in some areas to rise. Property tax collections for local civil taxing units and school corporations would decline.

In addition, CY 2013 property tax collections could decline because of any refunds allowed under this bill. Property tax refunds reduce current year tax collections.

*Background*: Under current law, certain disabled veterans or their surviving spouses are eligible for a property tax deduction against any real or personal property that they may own. There are two disabled veteran deductions.

(1) Veterans with wartime service and a service-connected disability of at least 10% are entitled to a property tax deduction of $24,960 on their real or personal property. There are no qualifications on AV.

(2) Veterans are entitled to a property tax deduction of $12,480 on their real or personal property if the veteran is either totally disabled or is at least age 62 with a disability of 10% or more. The disability need not be service-connected nor does the service need to be wartime service. In order to qualify, the AV of the property must be less than $143,160.

Veterans who qualify may receive both disabled veteran deductions. Properties that are co-owned by more than one disabled veteran are subject to multiple deductions.

In both cases, a surviving spouse is eligible for the deduction if the veteran "would qualify for the deduction if the individual were alive."

According to the Department of Local Government Finance, the surviving spouse is not entitled to the deduction if the disabled veteran's name was not on the deed to the property.

Beginning with the March 1, 2012, assessment date, this bill would permit the surviving spouse to claim the deduction if the veteran met all qualifications other than ownership of the property. The deduction would apply to a property that the surviving spouse owns or purchases at any time.

If a deduction was denied for the 2012 or 2013 assessment date, a qualifying surviving spouse may apply for the deduction by August 31, 2013. The county auditor would be required to issue a refund for taxes paid on the deducted AV within 30 days after the statement is filed.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors; Local civil taxing units and school corporations.

**Information Sources:** IDVA Annual Conference Presentation, Department of Local Government Finance (DLGF), www.in.gov/dlgf/files/Veterans_Presentation.pdf.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.